



# San Francisco Public Utilities Commission

Steven R. Ritchie, Asst. GM Water  
Eric Sandler, CFO/Asst. GM Business Services

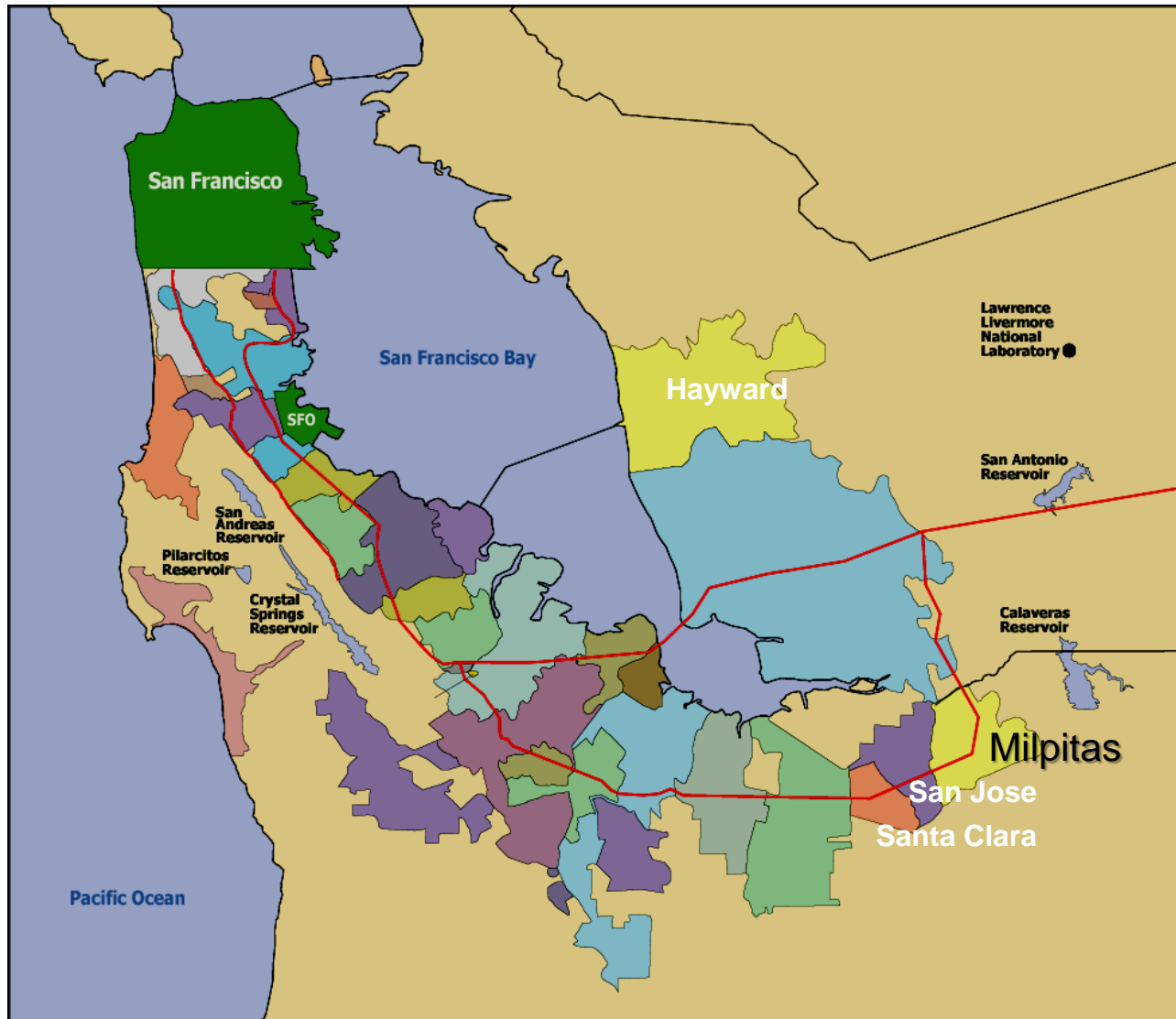
## Milpitas City Council

March 1, 2016

# Our Water System Spanning the Width of California



# Serving 2.6 Million Customers

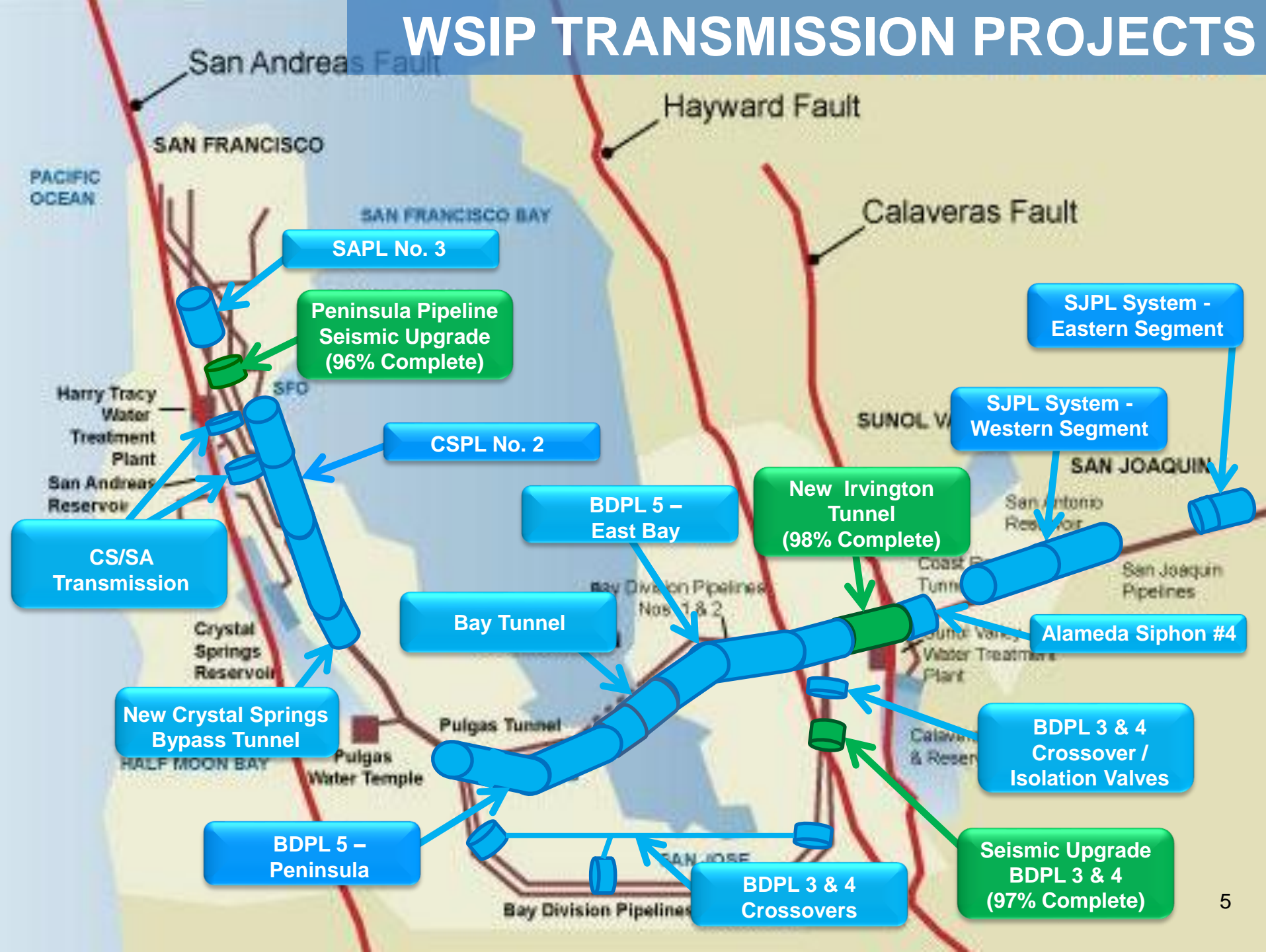


# Water System Improvement Program (WSIP)

- 83 Projects over 7 counties
- 92% Complete
- Projected cost \$4.8 billion
- Seismic reliability upgrades to address current and future system needs

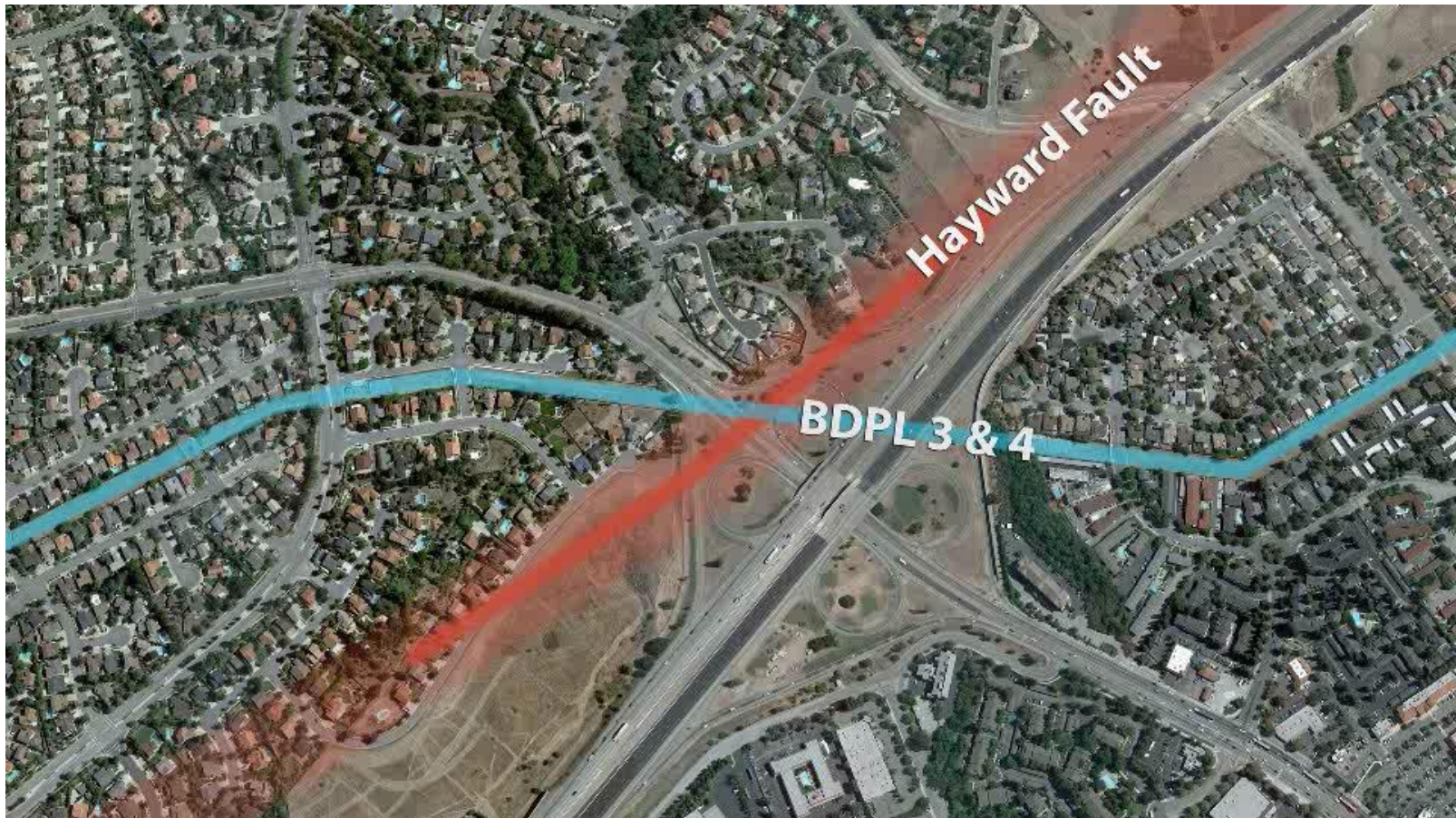


# WSIP TRANSMISSION PROJECTS



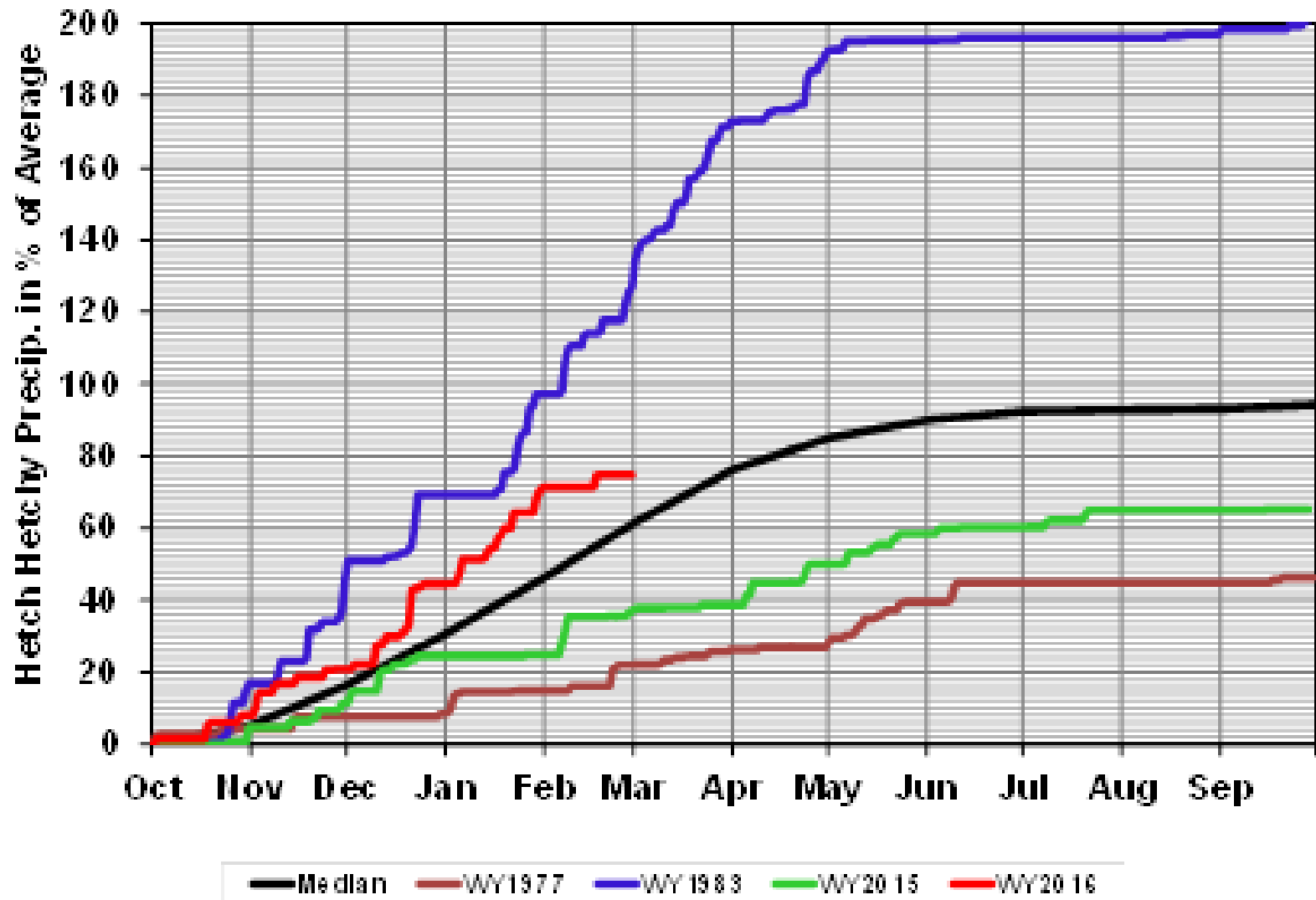
# Major WSIP Project Near Milpitas

## Seismic Upgrade of BDPL 3 & 4



# Cumulative Precipitation

## Precipitation at Hetch Hetchy - Water Year 2016



# 2016 Water Supply Forecast

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- This water year has been much wetter than the prior three years.
- Based on snow surveys to date, we can infer:
  - Hetch Hetchy Reservoir will fill this year.
  - If we have median precipitation conditions from March onward, we are likely to get close to filling our entire system.
  - Even with low precipitation from here forward, we are likely to receive a significant amount of water.

# When Will We Consider the Drought Over?

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- This year might be a good supply year
- Hetch Hetchy Reservoir will fill
- But, we need to be perpetually pessimistic





# Water Supply Agreement (WSA) Background

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- Cost sharing arrangement—in any year wholesale customers pay a share of costs
- Costs recovered on a volumetric basis—rates established at the beginning of the year based on estimates of costs & sales
- Wholesale customer share is determined at end of the year based on actual costs/sales and compared to actual collections
- Balancing account provides for recovering any under collection or crediting any over-collection
- Volumetric rates and balancing account introduce a degree of year over year rate volatility
- Volatility is amplified during times of drought
  - Uncertainty regarding sales volumes
  - Challenge to project and set rates and charges

# Wholesale Contract Rate Calculation

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$$\text{Rate} = \frac{\text{Wholesale Revenue Requirement}}{\text{Wholesale Water Deliveries}}$$

## Components of Wholesale Revenue Requirement

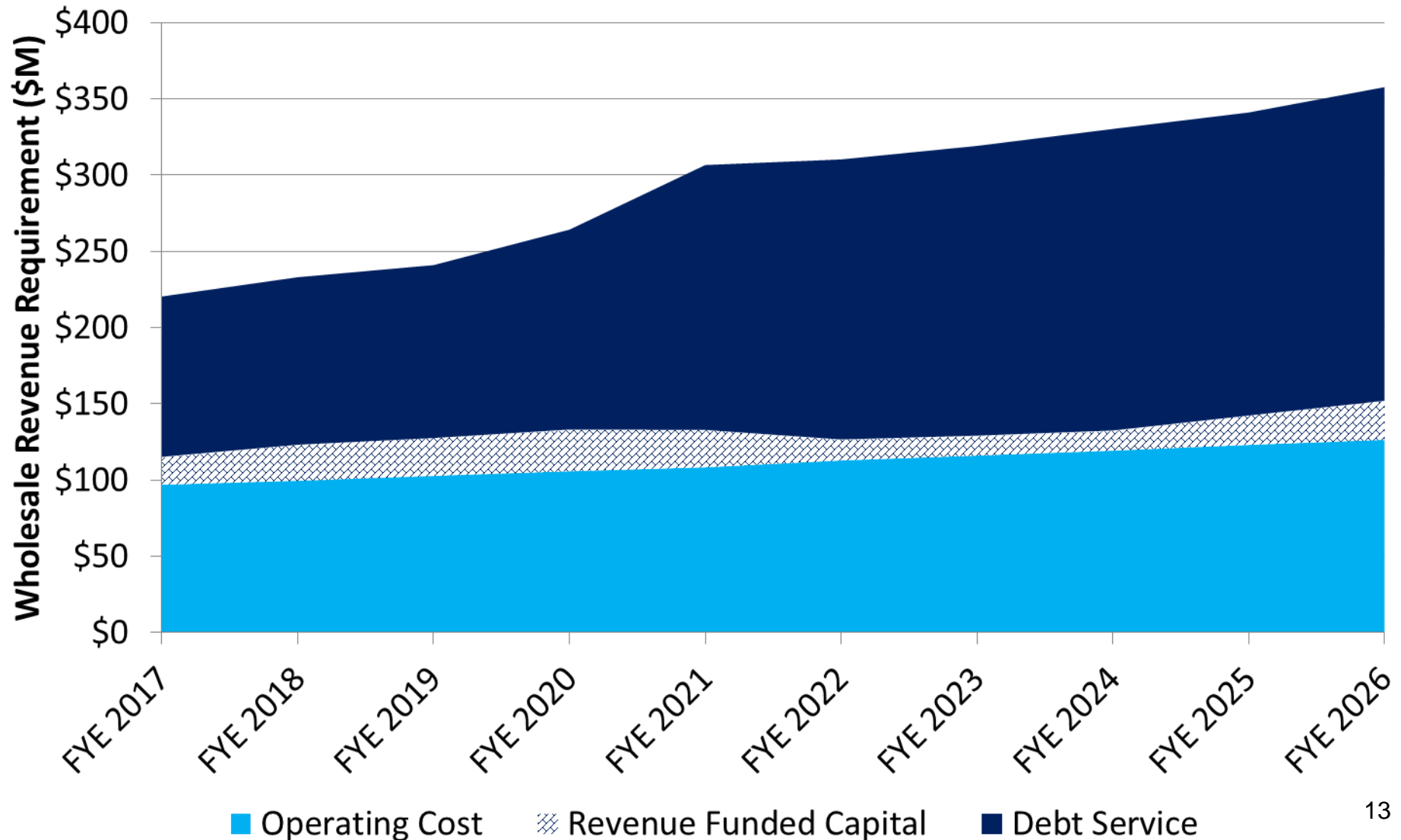
- Operating Costs
- Debt Service
- Revenue Funded Capital
- Bal. Account, Debt Service Coverage, Fixed Charge Credit

# Water Enterprise Cost Containment

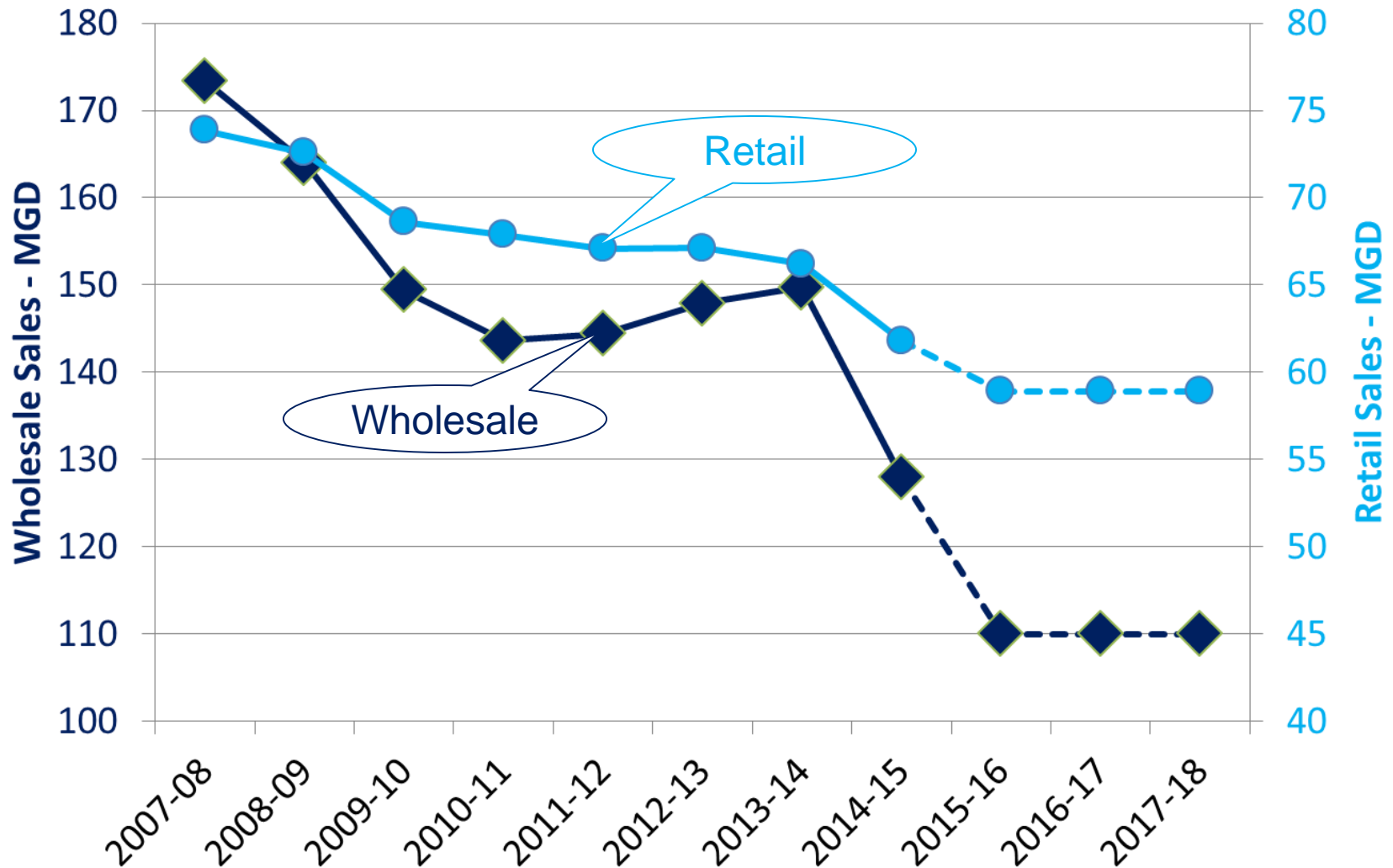
	<b>FY 2015-16 Amended Budget</b>	<b>FY 2016-17 Proposed Budget</b>	<b>FY 2017-18 Proposed Budget</b>
Budget (\$m)	512.3	489.4	501.2
Change (\$m)		(22.9)	11.8
Change (%)		(5%)	3%

- Proposed budgets reflect response to reduced revenues resulting from ongoing conservation
- 2105 debt refunding reduced debt service by an average of \$12M for the two budget years

# Projected Wholesale Revenue Requirement

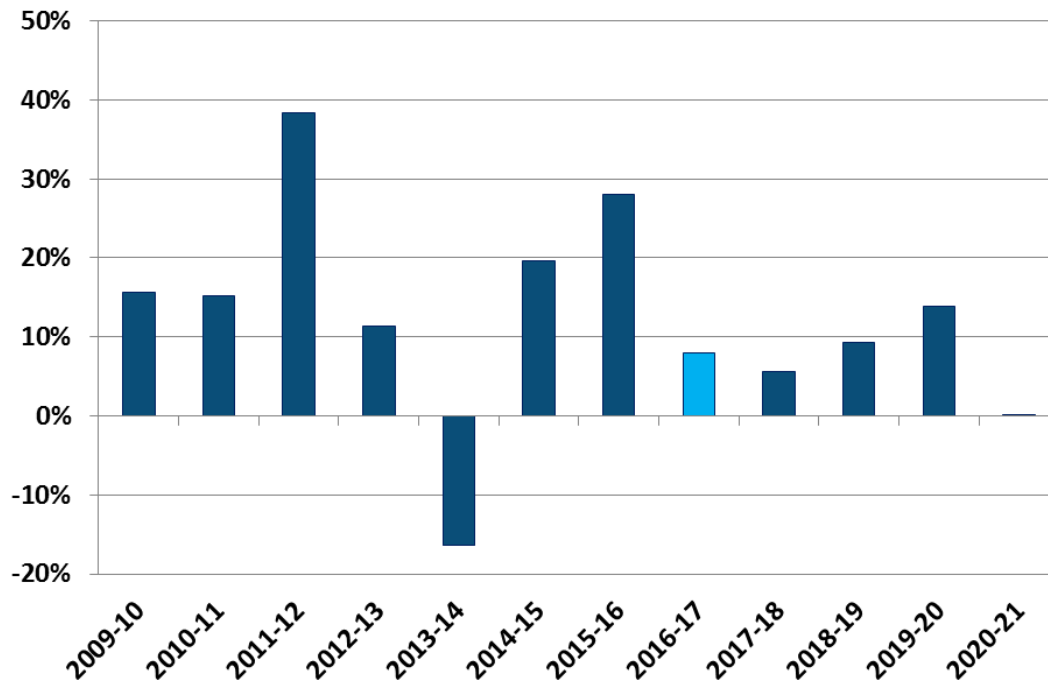


# SFPUC Water Deliveries Actual and Projected



# Wholesale Rates

## Historical and Projected Increases



Fiscal Year	Wholesale Rate Increase	Rate \$/Ccf	Usage Basis (MGD)
FY 2015-16	28.0%	3.75	130
FY 2016-17	8.0%	4.05	110
FY 2017-18	5.7%	4.28	110
FY 2018-19	9.3%	4.68	110
FY 2019-20	13.9%	5.33	110
FY 2020-21	0.2%	5.34	110

# Water Enterprise Rate Changes

	Fiscal Year	Wholesale	Retail
Actual	2009-10	15.7%	15.0%
	2010-11	15.2%	15.0%
	2011-12	38.4%	12.5%
	2012-13	11.4%	12.5%
	2013-14	-16.4%	6.5%
	2014-15	19.6%	12.0%
	2015-16	28.0%	12.0%
Projected	2016-17	8.0%	10.0%
	2017-18	5.7%	7.0%
	2018-19	9.3%	11.0%
	2019-20	13.9%	11.0%
	2020-21	0.2%	11.0%
	2021-22	2.8%	7.0%
	2022-23	7.3%	6.0%
	2023-24	3.7%	6.0%
	2024-25	3.1%	6.0%
	2025-26	4.8%	4.0%



# SFPUC Wholesale Water Rate Hearing

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May 10, 2016 1:30pm  
San Francisco City Hall  
1 Dr. Carlton B. Goodlett Place  
Room 400

